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Reply to Common Council File Nos. 031383 and 031396
From DOA-Budget and Management Division

February 2, 2004

Ref: 04010

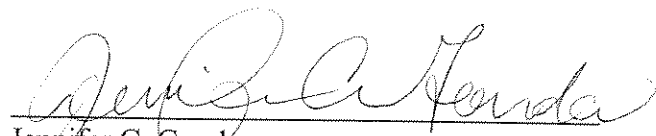
Common Council Files 031383 and 031396 contain resolutions authorizing the Commissioners of the Public Debt to issue and sell City of Milwaukee general obligation corporate purpose bonds and/or notes in the amount of \$265,233,568. This is the total amount authorized and unissued in the 2001, 2002, 2003 and 2004 city budgets for the purpose of financing capital projects and special assessments. The initial resolutions authorizing the issuance of such bonds and notes have already been adopted.

This administrative action is conducted annually to facilitate efficient borrowing for capital projects. Each year, a corporate purpose resolution is adopted that combines general obligation bonds authorized under various initial resolutions into one issue designated corporate purpose bonds. At this time, some of these authorized bonds have not been sold because the authority included multi-year projects or programs, a project was delayed, or a project is in progress with expenditures made and borrowing to follow.

This year, a separate resolution has been prepared for the purpose of providing flexibility for the Commission to issue notes instead of bonds, where appropriate. Combined, the two resolutions rescind the authority of the corporate purpose resolution adopted in 2003 and combine general obligation bonds and notes authorized under various initial resolutions into one issue. Since borrowing authority is only an estimate of the debt financing needed to complete a project, the City generally borrows after expenditures have been incurred on a given project. This strategy uses tax levy cash and other funding sources first, therefore minimizing our interest expense.

These files assume that approximately \$100 million in corporate purpose bonds and notes will be sold before July 1, 2004 at a rate of 4.50 percent, for an estimated 2004 debt service impact of \$2,250,000. Any bonds sold after that date would have no fiscal impact in 2004. The Public Debt Commission determines the actual structuring of the debt issue. Typically, financing amortized under 10 years is issued as notes and projects with a useful life greater than ten years are financed using 15-year bonds.

RECOMMENDATION: APPROVE COMMON COUNCIL FILES 031383 AND 031396.


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